

ORIGINAL

OPEN MEETING

MEMORANDUM



0000171387

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

TO: THE COMMISSION

2016 JUN 28 PM 4:34

DOCKETED

FROM: Utilities Division

JUN 28 2016

DATE: June 28, 2016

DOCKETED BY

RE: IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR APPROVAL OF A CREDITING MECHANISM RELATIVE TO GENERATION CHARGES FOR SEVERAL CUSTOMERS RECEIVING AN ALLOCATION FROM THE ARIZONA POWER AUTHORITY (E-01933A-16-0122)

On April 8, 2016, Tucson Electric Power Company ("TEP") filed an application for approval for TEP to provide a bill credit for customers who have received an allocation of hydro power from the Arizona Power Authority ("APA"). These credits are necessary to accommodate allocations of preference power made available from Hoover Dam.

APA is the state agency responsible for coordinating the preference power for the state. The Hoover Power Plant Act of 1984 allocated pools of capacity and energy to APA for the period of June 1, 1987, through September 30, 2017. In 2014, the Western Area Power Administration awarded additional allocations of preference power from Hoover Dam directly to various wholesale and retail customers ("Post-2017 Allocation Process"). Two existing TEP customers, Oro Valley Water Utility ("OVW") and Metropolitan Domestic Water Improvement District ("MDWID"), did not have prior allocations but were awarded allocations in the Post-2017 Allocation Process.

In order to finalize their allocations with the APA, OVW and MDWID must validate that they can utilize their allocations for load. APA must have delivery commitments from its participants by October 2016. OVW and MDWID approached TEP in conjunction with APA to determine how they would be able to take advantage of their allocation in TEP's service territory. The parties agreed that the proposed crediting mechanism would work for all participants.

Under the proposed bill credit, TEP would provide monthly bill credits for the kilowatt-hours ("kWh") received under APA's allocations at TEP's base power supply charge contained on TEP's water pumping tariff in effect at the time of the bill. As a result, the participants would not pay TEP's Base Power Supply Charge for the portion of energy allocated from APA.

TEP has requested that the proposed crediting mechanism become effective on the first month in which the participants receive their allocations from the APA. The allocations for OVW and MDWID are not expected to occur until 2017 when the Post-2017 Allocation Process becomes effective. In order for the participants to be able to finalize their agreements with the Authority prior to October of this year, TEP has requested that the Commission approve its application by August 1, 2016.

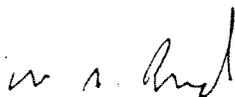
THE COMMISSION

June 28, 2016

Page 2

The impact on TEP's retail revenues from the proposed credit would be revenue neutral. The credit would only impact the Base Power Supply Charge that the participant normally would pay. When the participant receives energy from APA in a given month, TEP would substitute the participant's allocated energy for energy that TEP would otherwise generate or procure for the participant. The allocations to each participant would meet only a small portion of their individual generation purchases each month.

Staff recommends approval of the proposed bill credit mechanism for customers receiving preference power from APA.



Thomas M. Broderick
Director
Utilities Division

TMB:JJP:nr\RRM

ORIGINATOR: Jeffrey Pasquinelli

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER)
COMPANY FOR APPROVAL OF A)
CREDITING MECHANISM RELATIVE TO)
GENERATION CHARGES FOR SEVERAL)
CUSTOMERS RECEIVING AN)
ALLOCATION FROM THE ARIZONA)
POWER AUTHORITY.)

DOCKET NO. E-01933A-16-0122
DECISION NO. _____
ORDER

Open Meeting
July 12 and 13, 2016
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP") is engaged in providing electric power within portions of Arizona, pursuant to authority granted by the Arizona Corporation.
2. On April 8, 2016, TEP filed an application for approval for TEP to provide a bill credit for customers who have received an allocation of hydro power from the Arizona Power Authority ("APA"). These credits are necessary to accommodate allocations of preference power made available from Hoover Dam.
3. APA is the state agency responsible for coordinating the preference power for the state. The Hoover Power Plant Act of 1984 allocated pools of capacity and energy to APA for the period of June 1, 1987, through September 30, 2017. In 2014, the Western Area Power Administration awarded additional allocations of preference power from Hoover Dam directly to various wholesale and retail customers ("Post-2017 Allocation Process"). Two existing TEP customers, Oro Valley

1 Water Utility ("OVW") and Metropolitan Domestic Water Improvement District ("MDWID"), did
2 not have prior allocations but were awarded allocations in the Post-2017 Allocation Process.

3 4. In order to finalize their allocations with the APA, OVW and MDWID must validate
4 that they can utilize their allocations for load. APA must have delivery commitments from its
5 participants by October 2016. OVW and MDWID approached TEP in conjunction with APA to
6 determine how they would be able to take advantage of their allocation in TEP's service territory. The
7 parties agreed that the proposed crediting mechanism would work for all participants.

8 5. Under the proposed bill credit, TEP would provide monthly bill credits for the
9 kilowatt-hours ("kWh") received under APA's allocations at TEP's base power supply charge
10 contained on TEP's water pumping tariff in effect at the time of the bill. As a result, the participants
11 would not pay TEP's Base Power Supply Charge for the portion of energy allocated from APA.

12 6. TEP has requested that the proposed crediting mechanism become effective on the
13 first month in which the participants receive their allocations from the APA. The allocations for
14 OVW and MDWID are not expected to occur until 2017 when the Post-2017 Allocation Process
15 becomes effective. In order for the participants to be able to finalize their agreements with the
16 Authority prior to October of this year, TEP has requested that the Commission approve its
17 application by August 1, 2016.

18 7. The impact on TEP's retail revenues from the proposed credit would be revenue
19 neutral. The credit would only impact the Base Power Supply Charge that the participant normally
20 would pay. When the participant receives energy from APA in a given month, TEP would substitute
21 the participant's allocated energy for energy that TEP would otherwise generate or procure for the
22 participant. The allocations to each participant would meet only a small portion of their individual
23 generation purchases each month.

24 8. Staff has recommended approval of the proposed bill credit mechanism for customers
25 receiving preference power from APA.

26 CONCLUSIONS OF LAW

27 1. TEP is an Arizona public service corporation within the meaning of Article XV,
28 Section 2, of the Arizona Constitution.

1 2. The Commission has jurisdiction over TEP and over the subject matter of the
2 application.

3 3. The Commission, having reviewed the application and Staff's Memorandum dated
4 June 28, 2016, concludes that it is in the public interest to approve the proposed bill credit mechanism
5 for customers receiving preference power from APA.

6 ...

7 ...

8 ...

9 ...

10 ...

11 ...

12 ...

13 ...

14 ...

15 ...

16 ...

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's proposed bill credit mechanism for customers receiving preference power from Arizona Power Authority is approved.

IT IS FURTHER ORDERED that the proposed bill credit mechanism shall become effective on the first month in which the participants receive their allocations from the Arizona Power Authority.

IT IS FURTHER ORDERED that this Order shall take effect immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN LITTLE

COMMISSIONER STUMP

~~COMMISSIONER FORESE~~

~~COMMISSIONER TOBIN~~

~~COMMISSIONER BURNS~~

IN WITNESS WHEREOF, I, JODI A. JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2016.

JODI A. JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:JJP:nr/RRM

1 SERVICE LIST FOR: Tucson Electric Power Company
2 DOCKET NO. E-01933A-16-0122

3 Mr. Bradley S. Carroll
4 Tucson Electric Power Company
5 88 East Broadway Boulevard, MS HQE910
6 Post Office Box 711
7 Tucson, Arizona 85702

8 Mr. Michael W. Patten
9 Snell & Wilmer L.L.P
10 One Arizona Center
11 400 East Van Buren Street
12 Phoenix, Arizona 85004

13 Mr. Thomas M. Broderick
14 Director, Utilities Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 Ms. Janice M. Alward
19 Chief Counsel, Legal Division
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, Arizona 85007

23 Mr. Dwight Nodes
24 Chief Administrative Law Judge, Hearing Division
25 Arizona Corporation Commission
26 1200 West Washington Street
27 Phoenix, AZ 85007

28